

Message Text

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47

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 FS-01 ABF-01 L-03 H-03 PA-04 PRS-01 USIA-15

IO-14 DRC-01 /180 W

----- 041820

R 191100Z DEC 73

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 994

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 8584

E.O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: DEVALUATION OF CRUZEIRO

REF: BRASILIA 8505

1. DURING DISCUSSIONS WITH RIO AND SAO PAULO FINANCIAL AND BUSINESS COMMUNITIES, FINATT FOUND THAT RECENT MINI CRUZEIRO DEVALUATION, AS REPORTED REFTTEL, ATTRIBUTED TO TWO MAIN FACTORS:

A. FOR PURELY PSYCHOLOGICAL REASONS, GOVERNMENT WANTED TO CLOSE OUT YEAR WITH CRUZEIRO/DOLLAR RATE WHICH WAS SAME AS THAT PREVAILING AT START OF 1973. (WITH SECOND DOLLAR DEVALUATION IN FEBRUARY, CRUZEIRO WAS EFFECTIVELY APPRECIATED THREE PERCENT VISA-VIS US DOLLAR. INTERIM MINI-DEVALUATION HAD NOT COMPLETELY OFFSET THIS REVALUATION).

B. LOOKING TOWARD FUTURE AND ATTEMPTING TO STAVE
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OFF POSSIBLE SPECULATIVE PRESSURE AGAINST THE CRUZEIRO,
GOVERNMENT WISHED TO SIGNAL THAT IT PLANS TO CONTINUE

PRACTICE OF SMALL PERIODIC DEVALUATIONS AS OPPOSED TO LARGE SPORADIC ONES.

2. JUST PRIOR TO RECENT MOVE THERE WERE RUMORS TO THE EFFECT THAT SOMEWHAT LARGER DEVALUATION MIGHT BE IN THE OFFING. OF COURSE, LATEST ACTION BY NO MEANS PRECLUDES SUBSEQUENT ANNOUNCEMENT OF SOMEWHAT LARGER DEVALUATION. HOWEVER, THE CHANCES OF THAT HAPPENING APPEAR TO HAVE DIMINISHED, AT LEAST FOR A WHILE.
CRIMMINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVALUATIONS, FOREIGN EXCHANGE RATES, CRUZEIRO
Control Number: n/a
Copy: SINGLE
Draft Date: 19 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: smithrj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BRASIL08584
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731217/aaaaaman.tel
Line Count: 71
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: BRASILIA 8505
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 17 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17-Jan-2002 by thigpegh>; APPROVED <17-Jan-2002 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DEVALUATION OF CRUZEIRO
TAGS: EFIN, BR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005